

Message Text

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PAGE 01 OECD P 19848 01 OF 03 192025Z

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 IO-13 ADP-00 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01 L-03

AGR-20 SS-15 NSC-10 RSR-01 /177 W

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R 191719Z JUL 73

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TO SECSTATE WASHDC 342

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

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AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

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AMEMBASSY REYKJAVIK

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PAGE 02 OECD P 19848 01 OF 03 192025Z

LIMITED OFFICIAL USE SECTION 1 OF 3 OECD PARIS 19848

E.O. 11652: N/A

TAGS: EFIN, OECD

SUBJECT: HUNDREDTH MEETING COMMITTEE FOR INVISIBLES TRANSACTIONS

REF: (A) TIR/A(73)5 AGENDA (B) DAF/INV/73/41 AND 35 (C)
DAF/INV/UEXER (D) DAF/INV/73/31 (E) DAF/INV/73/37 (F) DAF/
INV/72/27 (G) STATE 135741 (H) DAF/INV/73/42

1. SUMMARY. AT ITS MEETING ON JULY 16-18, 1973, INVISIBLES COMMITTEE (IC) RECEIVED NOTIFICATION OF CHANGES IN EXCHANGE REGULATIONS FROM GERMANY AND FINLAND, AGREED TO RECOMMEND COUNCIL APPROVAL OF AUSTRALIAN INVOCATION OF ARTICLE 7(B) DEROGATION, APPROVED REPORTS ON LIBERALIZATION OF INWARD DIRECT INVESTMENT IN JAPAN AND LIBERALIZATION OUTWARD PORTFOLIO INVESTMENT IN SPAIN, AGREED TO SEND COUNCIL RECOMMENDED CHANGE IN INVISIBLES CODE RELATING TO FILMS, REVISED AND AGREED TO SEND TO COUNCIL REPORT ON MEMBER COUNTRY RESTRICTIONS ON OUTWARD CAPITAL MOVEMENTS, AND COMPLETED NINTH EXAMINATION OF CERTAIN RESERVATIONS TO INVISIBLES CODE. ACTION REQUESTED: SEE PARAS 3, 4 AND 8 BELOW. END OF SUMMARY.

2. IC MET UNDER DIRECTION OF VICE-CHAIRMAN BEAUJON (SWITZERLAND) WHO REPORTED THAT CHAIRMAN WAHL HAS BEEN TRANSFERRED TO WASHINGTON, D.C. AS NEW FINANCIAL MINISTER AT FRENCH EMBASSY. IN DUE COURSE FRANCE WILL APPOINT NEW EXPERT TO REPLACE WAHL, AND IC WILL ELECT NEW CHAIRMAN.

3. U.K. RESTRICTIONS ON DIRECT INVESTMENT. BELGIAN EXPERT ASKED WHY MATTER OF U.K. RESTRICTIONS ON DIRECT INVESTMENT FINANCING HAD BEEN REMOVED FROM PRELIMINARY AGENDA. SECRETARIAT EXPLAINED THAT IN ABSENCE OF NEW INFORMATION OR PROPOSALS ON SUBJECT FROM EXPERTS, AND SINCE LEGAL SERVICE FEELS IT CAN ADD NOTHING NEW, IT HAD BEEN DECIDED TO REMOVE ITEM. (FYI: AS NOTED OECD 17194, MISSION HAS SUBMITTED PORTIONS STATE 213152 TO SECRETARIAT. LATTER WISHED TO DISTRIBUTE THAT DOCUMENT AS U.S. NOTE IN ORDER TO STIMULATE IC DISCUSSION ON MATTER. SINCE THAT LIMITED OFFICIAL USE

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PAGE 03 OECD P 19848 01 OF 03 192025Z

TIME, U.K. REGULATIONS CONCERNING FINANCING HAVE CHANGED, CLEARLY REQUIRING CHANGE CONTENTS STATE 213152 BEFORE DISTRIBUTION TO IC. IC WILL PROBABLY NOT RESCHEDULE U.K. QUESTION FOR DISCUSSION UNTIL FURTHER SUBSTANTIVE PROPOSALS HAVE BEEN MADE BY EXPERTS.) ACTION REQUESTED: IF DEPT WISHES TO HAVE THIS MATTER PLACED ON IC AGENDA FALL 1973, MISSION WOULD APPRECIATE RECEIVING APPROPRIATELY REVISED MATERIAL FOR DISTRIBUTION TO SECRETARIAT AND MEMBERS OF IC.

4. SECRETARIAT (BERTRAND) REPORTED ON CURRENT ACTIVITIES, NOTING RECENT MEETING XCSS WHICH, ALTHOUGH MOSTLY PROCEDURAL, REACHED COMPROMISE REGARDING QUESTIONS INTERNATIONAL INVESTMENT. SECRETARIAT WILL PREPARE FURTHER WORK ON STRUCTURAL FACTORS AND ROLE OF LONG-TERM CAPITAL IN ACHIEVING INTERNATIONAL EQUILIBRIUM, AND WILL ALSO STUDY DISTORTIONS CAUSED BY INVESTMENT POLICIES AND PROBLEMS RAISED FOR COUNTRIES BY MNC'S. SECGEN WILL CONSULT COUNTRY EXPERTS AS NECESSARY. SEVERAL EXPERTS (INCLUDING GERMAN, BELGIAN, AND ITALIAN) STRONGLY URGED IC UNDERTAKE OWN INITIATIVES THIS AREA WITHOUT WAITING FOR SPECIFIC MANDATE FROM XCSS OR COUNCIL, SINCE GENERAL MANDATE TO IC REGARDING ALL MATTERS HAVING TO DO WITH CODE ALREADY EXISTS. THEY SUGGESTED IC APPROPRIATE PLACE TO DEVELOP CONSULTATION AND GUIDELINE PROCEDURES SINCE KEY QUESTION INWARD DIRECT INVESTMENT ALREADY REVIEWED ANNUALLY BY IC. THERE WAS ALSO SOME SUPPORT FOR IDEA OF CRITICAL REEXAMINATION OF CAPITAL CODE. STEPS FOLLOWED WOULD BE (1) REVIEW OF PROBLEMS FACED BY IC ITSELF; (2) REVIEW OF PARTICULAR AREAS OF DIFFICULTY UNDER CODE, AND (3) REDRAFT SECTIONS OF CODE AS APPROPRIATE. MAJORITY FELT TIME NOT APPROPRIATE AND THAT SESSIONS WOULD BE FRUITLESS UNLESS EXPERTS HAD SPECIFIC PROPOSALS AND WERE PREPARED TO SUBMIT PAPERS WELL IN ADVANCE AS BASIS FOR DISCUSSION. IT WAS DECIDED TO POSTPONE DECISION TO PLACE ITEM ON AGENDA. ACTION REQUESTED: MISSION WOULD APPRECIATE INSTRUCTIONS THIS MATTER.

5. CHANGES IN COUNTRY EXCHANGE REGULATIONS. GERMAN EXPERT NOTED RECENT CHANGES GERMAN EXCHANGE REGULATIONS OUTLINED DAF/INV/73.43. FINNISH ALTERNATE NOTED TWO CHANGES FINNISH REGULATIONS WHICH WOULD (1) REQUIRE 100 PERCENT LIMITED OFFICIAL USE

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PAGE 04 OECD P 19848 01 OF 03 192025Z

CASH PAYMENT ON IMPORTED CONSUMER GOODS AND (2) REQUIRE DEPOSIT WITH BANK OF FINLAND OF PORTION OF ALL IMPORTS OF MEDIUM-AND LONG-TERM CAPITAL, WITH AMOUNT TO BE DECIDED SELECTIVELY ON CASE-BY-CASE BASIS WITH FUNDS TO BE RELEASED AS ECONOMIC CONDITIONS PERMIT.

6. AUSTRALIAN ARTICLE 7(B) DEROGATION. ON FEB 1, 1973 AUSTRALIA INVOKED DEROGATION CLAUSE IN ARTICLE 7(B) OF CAPITAL CODE IN RESPECT TO ITEMS LISTED REF (B) TO PERMIT CONTROL OVER CERTAIN SHORT-TERM CAPITAL MOVEMENTS. AUSTRALIA BELIEVES THESE ADDITIONAL CONTROLS NECESSARY COMPLEMENT OF OTHER CONTROLS ON SHORT-TERM CAPITAL ITEMS NOT INCLUDED IN CODE. IC EXAMINED AUSTRALIAN DEL AT CONSIDERABLE LENGTH AND RECOMMENDED NUMEROUS REVISIONS AND ADDITIONS TO REF (B). PROPOSAL TO NOTE RATHER THAN

JUSTIFY DEROGATION WAS NOT ENDORSED. QUALIFIED APPROVAL,
AS USED IN RECENT GERMAN AND JAPANESE CASES, WAS NOT
THOUGHT APPROPRIATE TO AUSTRALIAN CASE. IN
FORMER CASES, IC HAD FELT CONTROLS WERE OF BROADER NATURE
THAN NECESSARY, AND DOUBTED THEIR EFFICIENCY AND USEFULNESS.
IN AUSTRALIAN CASE, IT WAS FELT THAT SITUATION WAS REVERSE,
SINCE EXTENT OF CONTROLS WAS CONSIDERABLY LESS AND THEY

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PAGE 01 OECD P 19848 02 OF 03 192035Z

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TO SECSTATE WASHDC 343
INFO AMEMBASSY ANKARA
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PAGE 02 OECD P 19848 02 OF 03 192035Z

LIMITED OFFICIAL USE SECTION 2 OF 3 OECD PARIS 19848

APPLIED MAINLY TO SHORT-TERM OPERATIONS. WHILE IMPACT OF INWARD CAPITAL FLOWS HAD PRESUMABLY BEEN LESS ON DOMESTIC ECONOMY THAN IN GERMAN CASE, CONTROLS USED WERE NARROWER AND MORE SUITED TO SPECIFIC PROBLEM OF SPECULATIVE CAPITAL FLOWS. SEVERAL MEMBERS (NOTABLY U.S., GERMAN, NETHERLANDS, BELGIAN) OPTED FOR EXTENDED ANALYSIS OF RELATIONSHIP BETWEEN INCREASED CAPITAL INFLOWS AND POSSIBILITY FOR AUSTRALIA TO REMOVE ADDITIONAL CONTROLS OVER CAPITAL OUTFLOWS. IC DECIDED TO EXPAND SECTIONS PARA 2 AND 10 REF (B) THIS RESPECT, ALTHOUGH MOST MEMBERS FELT THERE COULD BE NO BINDING CONNECTION BETWEEN CAPITAL INFLOWS ON ONE HAND AND APPROPRIATENESS OF REMOVING CONTROLS ON CAPITAL OUTFLOWS ON OTHER. IC CRITICIZED EVIDENT PRECAUTIONARY USE OF CONTROLS BY AUSTRALIAN AUTHORITIES. LATTER INDICATED THAT SERIOUS IMPACT ON DOMESTIC ECONOMY HAD ALREADY BEEN FELT, THEREBY JUSTIFYING USE OF 7(B) DEROGATION.

7. EXTENDED DISCUSSION QUESTION APPROPRIATENESS OF 7(B) VIS 7(C) DEROGATION FOR SURPLUS COUNTRIES WAS INCONCLUSIVE, WITH GERMAN, AUSTRIAN AND SEVERAL OTHER EXPERTS STRONGLY SUGGESTING IC NEEDS TO RETHINK POSSIBLE APPLICATION 7(C) TO SURPLUS COUNTRIES. AUSTRIAN EXPERT BELIEVED DEVELOPMENT BALANCE OF PAYMENTS SURPLUS CAN BE AS SERIOUS PROBLEM FOR COUNTRY AS DEFICIT, AND THAT EXCESSIVE ACCUMULATION OF RESERVES IS PERVERSE DEVELOPMENT WITHIN MEANING OF CODE. REGARDING USE OF PRECAUTIONARY DEROGATION, JAPANESE EXPERT SUGGESTED CODE PRESENTLY DOES NOT FORESEE PROBLEM IN WHICH LARGE VOLUME SPECULATIVE MONEY MAY FLOW SO RAPIDLY AS TO PREVENT ADEQUATE OFFSETTING MEASURES, AND THAT SIZE THESE FLOWS SUCH AS TO DISTURB INTERNATIONAL AND DOMESTIC SITUATION OF COUNTRY BEFORE OFFSETTING STEPS CAN BE TAKEN. THIS MAKES USE OF PRECAUTIONARY DEROGATION APPROPRIATE IN CURRENT CONDITION. HOWEVER, HE FELT IC RETAINS JOB OF EXAMINING MEASURES USED TO ASSURE THEY ARE APPROPRIATE TO SITUATION. (FYI: IN PAST, IC HAS ALWAYS BEEN CRITICAL OF USE OF PRECAUTIONARY RESERVATIONS OR DEROGATIONS.)

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PAGE 03 OECD P 19848 02 OF 03 192035Z

8. FURTHER LIBERALIZATION INWARD DIRECT INVESTMENT BY JAPAN. CHANGES IN JAPANESE REGULATIONS EFFECTIVE MAY 1, 1973 ENABLE JAPAN TO LIMIT SCOPE OF ITS CAPITAL CODE RESERVATIONS FOR INWARD DIRECT AND PORTFOLIO INVESTMENT. EXTENT OF LIMITED SCOPE REVISED RESERVATIONS IS LAID OUT IN REF (C), WHICH WAS EXAMINED BY IC IN PRESENCE THREE EXPERTS FROM TOKYO AS BASIS FOR REPORT TO COUNCIL. IC QUESTIONED WHY LIST OF RESTRICTED INDUSTRIES FOR DIRECT INVESTMENT DIFFERED SUBSTANTIALLY FROM LIST FOR PORTFOLIO INVESTMENT. JAPANESE EXPERTS NOTED INDUSTRIES IN LATTER CASE (PAGE 5, REF (C)) ARE THOSE WHICH ARE PUBLICLY REGULATED IN JAPAN, AND FOR WHICH REGULATORY AGENCIES ALREADY ESTABLISH CONDITIONS OF ENTRY. THIS LIST BASED ON U.S.-JAPANESE FOREIGN TRADE AND COMMERCE TREATY OF 1952. WHILE PORTFOLIO PURCHASES THIS FIELD ARE LIMITED TO 15 PERCENT OUTSTANDING SHARES EACH FIRM, DIRECT INVESTMENT IN NEW FACILITIES WOULD BE POSSIBLE UP TO 100 PERCENT IF FOREIGN INVESTORS SATISFIED DOMESTIC REGULATORY REQUIREMENTS. TAKEOVERS IN ALL CASES WOULD BE SUBJECT TO APPROVAL FROM MANAGEMENT OF JAPANESE FIRM.

9. U.S. EXPERT QUESTIONED CONTINUED FULL RESTRUCTION AGAINST FOREIGN INVESTMENT IN JAPANESE RETAIL TRADE OPERATIONS. HE NOTED THAT INABILITY FOREIGN FIRMS TO OBTAIN OWN RETAIL OUTLETS IN JAPAN MIGHT SERIOUSLY RESTRICT OPPORTUNITY FOREIGN PRODUCERS TO INCREASE SALE RETAIL COMMODITIES IN JAPAN. IC AGREED THIS SIGNIFICANT CODE PROBLEM WHICH COULD ALSO HAVE RESTRAINING EFFECT ON TRADE. JAPANESE EXPERTS NOTED POSSIBLE SERIOUS SOCIAL AND POLITICAL IMPLICATIONS OF FOREIGN TAKEOVERS DOMESTIC RETAIL OPERATIONS, A FIELD NOT YET MODERNIZED OR CONSOLIDATED IN JAPAN. AUSTRIAN EXPERT SUGGESTED SOCIAL PRESSURES RESULTING FROM MODERNIZATION RETAIL OPERATIONS JAPAN WOULD BE SAME WHETHER FIRMS INVOLVED WERE FOREIGN OR DOMESTIC CONTROLLED.

10. WITH REGARD TO FOREIGN TAKEOVERS DOMESTIC FIRMS, JAPANESE EXPERTS NOTED THAT IT MAJORITY (51 PERCENT) OF BOARD OF DIRECTORS JAPANESE FIRM DESIRES TAKEOVER, MITI IS REQUIRED TO GRANT PERMISSION. HOWEVER, THEY EMPHASIZE THAT CONCEPT FORCEFUL TAKEOVER IS REGARDED AS UNDESIRABLE

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PAGE 04 OECD P 19848 02 OF 03 192035Z

IN JAPAN. AT SAME TIME, FOREIGN INVESTOR MAY NOTIFY MITI

OF INTENTION TO PLACE TAKEOVER BID WITH JAPANESE FIRM.
IF JAPANESE FIRM DOES NOT WISH TAKEOVER, BUT IF MITI
DETERMINES TAKEOVER WOULD BE IN INTEREST OF JAPANESE
ECONOMY, GOVERNMENT COULD STILL AUTHORIZE TAKEOVER AND
USE MORAL SUASION TO INDUCE FIRM TO ACCEPT.

11. SECRETARIAT (SCHLEPEGRELL) POINTED OUT THAT DIRECT
INVESTMENT BY LONG-TERM LOANS IS EXCLUDED FROM LIBERALIZATION
BY JAPANESE MEASURES. HE ALSO NOTED THAT SINCE JAPAN
DID NOT HAVE FULL RESERVATION THIS ITEM, IT WOULD NOT NOW
BE POSSIBLE TO REDUCE DEGREE OF LIBERALIZATION. JAPANESE
AUTHORITIES INDICATED FAILURE TO OBTAIN FULL RESERVATION
IN PAST ON THIS ITEM WAS OVERSIGHT. IC STRONGLY OF

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PAGE 01 OECD P 19848 03 OF 03 192046Z

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R 191719Z JUL 73

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PAGE 02 OECD P 19848 03 OF 03 192046Z

LIMITED OFFICIAL USE SECTION 3 OF 3 OECD PARIS 19848

OPINION THAT BELATED RESERVATION COULD NOT BE ALLOWED
AND THAT IF JAPAN WISHED TO REDUCE DEGREE OF LIBERATLIZATION
OF FOREIGN DIRECT INVESTMENT BY LONG-TERM LOANS,
ONLY SOLUTION WOULD BE TO APPLY FOR DEROGATION.

12. FURTHER LIBERALIZATION OUTWARD PORTFPLIO INVESTMENT
BY SPAIN. COMMITTEE APPROVED REF (D) WITH MINOR TECHNICAL
CHANGES, NOTING STATEMENT BY SPANISH EXPERT THAT ALTHOUGH
PRESENT MOVE TOWARD LIBERALIZATION IS MODERATE, IT
INDICATES SUBSTANTIAL CHANGE OF MIND ON PART OF SPANISH
AUTHORITIES AND IS EXPECTED TO BE ONLY FIRST STEP IN
ADDITIONAL MEASURES OF LIBERALIZATION WHICH ARE NOW UNDER
STUDY. HE ACKNOWLEDGED THAT PRESENT STEP APPLIED ONLY
TO INSTITUTIONAL INVESTORS BECAUSE AUTHORITIES FIND IT
EASIER TO EXERCISE SURVEILLANCE OVER SUCH INVESTORS.
TECHNICAL QUESTION AROSE REGARDING EXTENT TO WHICH
LIBERALIZATION WOULD PERMIT INVESTMENT IN OVER-THE-COUNTER
ISSUES. SPANISH EXPERT SAID ONLY REQUIREMENT WAS THAT
SECURITIES BE QUOTED, BUT QUESTION OF WHICH MARKETS CAN
BE ACCEPTED UNDER REGULATION PROBABLY SUBJECT TO COUNTRY-
BY-COUNTRY REVIEW. U.S. EXPERT SUGGESTED THAT SHARES
QUOTED NASAD SHOULD MEET REQUIREMENTS NOTED APPENDEX 1 TO
ANNEX 1 OF REF (D). ACTION REQUESTED: MISSION RECOMMENDS
DEPT APPROACH SPANISH AUTHORITIES SOON AS POSSIBLE TO
FURTHER IDEA THAT U.S. OVER-THE-COUNTER SECURITIES QUOTED
NASD MEET REQUIREMENTS NEW SPANISH REGULATIONS.

13. FILM VIDEO CASSETTES. IN RESPONSE TO REQUEST BY
COUNCIL TO CLARIFY QUESTION APPLICATION FILMS ANNEX TO
VIDEO CASSETTES, IC AGREED TO ACCEPT RECOMMENDATION WORKING
GROUP ON FILMS IN REF (E) WITH MINOR CHANGES. AT REQUEST
U.S. EXPERT, WORD "EXPORTATION" WILL ALSO BE INCLUDED

REVISED ITEM E/1. RESULT OF CHANGE MEANS THAT FILMS
ANNEX OF CODE APPLIES TO ALL FILMS, WHATEVER MEANS OF
REPRODUCTION, AS REGARDS THEIR EXPORTATION, IMPORTATION,
DISTRIBUTION AND USE FOR PRIVATE OR CINEMA EXHIBITION OR
FOR TELEVISION BROADCAST. IC DIRECTED SECRETARIAT MAKE
SEVERAL MINOR CHANGES TO REPORT WHICH WILL THEN BE
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PAGE 03 OECD P 19848 03 OF 03 192046Z

FORWARDED TO COUNCIL.

14. PRESENT RESTRAINTS ON OUTWARD CAPITAL MOVEMENTS. IC
CONDUCTED FINAL REVIEW REF (F) MAKING LARGE NUMBER TECHNICAL
CHANGES TO LISTS OF COUNTRY RESTRICTIONS IN ANNEX II
REQUESTED BY VARIOUS EXPERTS. IT ALSO CONSIDERED AT
LENGTH SEVERAL PROPOSALS TO CHANGE COUNTRY DESIGNATIONS
CONTAINED ANNEX 1. QUESTION AROSE AS TO WHETHER OR NOT
CAPITAL MARKET OF COUNTRY COULD BE CONSIDERED OPEN WHEN
PRIVATE OR PUBLIC AUTHORITIES COULD INFLUENCE TIMING OF
PLACEMENT OF ISSUE ON MARKET. VARIOUS COUNTRIES, ALTHOUGH
CLASSIFIED AS OPEN, OR AS RESTRICTED WITH LIBERAL PRACTICE,
HAVE PUBLIC OR PRIVATE CAPITAL MARKET COMMITTEES WHICH
DETERMINE ISSUE DATE. U.S. EXPERT SUGGESTED EFFECT MIGHT
IN SOME CASES BE TO RESTRICT ACCESS BY FOREIGNER TO
DOMESTIC MARKET IF TIMING OF ISSUE WERE SUBSTANTIALLY
CHANGED FROM THAT ENVISIONED BY BORROWER. QUESTION OF
PAYMENTS CHANNELS AROSE IN REVIEW OF U.S. AND FRENCH
SITUATION, WITH U.K. DEL PREFERRING CLASSIFICATION U.K.
MARKET AS CLOSED SINCE FUNDS RAISED ON DOMESTIC MARKET
COULD ONLY BE TRANSFERRED ABROAD THROUGH CLOSED INVESTMENT
CURRENCY CIRCUIT. SECRETARIAT HAD SUGGESTED THAT SINCE
SOME FOREIGN ISSUES HAD BEEN PLACED ON U.K. MARKET, CLASSIFICATION
MIGHT BE CHANGED TO RESTRICTED. FRENCH DEL
NOTED THAT OUTWARD DIRECT INVESTMENT HAD BEEN SUBSTANTIALLY
LIBERALIZED IN FRANCE, THAT AT PRESENT NO AUTHORIZATION WAS
NEEDED FOR AMOUNTS UNDER ONE MILLION FRANCS, AND THAT FOR
GREATER AMOUNTS AUTHORIZATIONS WERE LIBERALLY GRANTED.
HOWEVER, IN RESPONSE TO QUESTION, FRENCH DEL UNABLE TO
INDICATE WHETHER OR NOT HIS AUTHORITIES CONSIDERING
REMOVAL FRENCH DEROGATION FOR OUTWARD DIRECT INVESTMENT.
U.S. EXPERT NOTED CHANGES U.S. SECTION REF (F) AS
RECOMMENDED REF (G). IC DIRECTED SECRETARIAT PREPARE
CORRECTED REPORT TO SUBMIT TO COUNCIL FOR INFORMATION.

15. NINTH EXAMINATION OF RESERVATIONS. IC COMPLETED
9TH EXAMINATION OF RESERVATIONS TO INVISIBLES CODE (OTHER
THAN SECTIONS ON INSURANCE, FILMS AND ROAD TRANSPORT.)
MAJOR PROBLEM WAS FRENCH UNWILLINGNESS TO ALLOW STRONG
STATEMENT FROM COUNCIL CONCERNING ITS RESERVATION ON
MARITIME FREIGHT BUSINESS WITH TUNISIA AND ALGERIA. IC
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PAGE 04 OECD P 19848 03 OF 03 192046Z

MADE MINOR CHANGES FRENCH TEXT REF (H) AND ASKED EXPERTS
TO REVIEW ENGLISH TEXT WHEN AVAILABLE. IC WILL RECOMMEND
THAT COUNCIL INVITE CANADA, FINLAND AND FRANCE TO LIBERALIZE
CERTAIN PRACTICES WITH RESPECT TO MARITIME FREIGHT NOTED
ANNEX IV REF (H).

16. NEXT MEETING SCHEDULED FOR SEPT 10-12, 1973.
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Message Attributes

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Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: thigpegh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973OECDP19848
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TAGS: EFIN, OECD
To: STATE
Type: TE
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